

BUDGET REVIEW COMMITTEE
PUBLIC HEARING
April 25, 2016

A public hearing was conducted by the Budget Review Committee for the full Board of Aldermen on Monday, April 25, 2016, at 7:00 p.m. in the Aldermanic Chamber.

Alderman-at-Large Richard A. Dowd, Chair, presided.

Members of Committee present: Alderman-at-Large Lori Wilshire, Vice Chair
Alderman-at-Large Brian S. McCarthy
Alderman-at-Large Michael B. O'Brien
Alderman Sean M. McGuinness
Alderman David Schoneman
Alderman Ken Siegel

Also in Attendance: Alderman June M. Caron
Mr. David G. Fredette, City Treasurer

R-16-028

**AUTHORIZING THE MAYOR AND THE CITY TREASURER TO ISSUE BONDS
NOT TO EXCEED THE AMOUNT OF THIRTY MILLION DOLLARS (\$30,000,000)
TO REFUND ALL OR A PORTION OF CERTAIN OUTSTANDING BONDS
OF THE CITY IN ORDER TO ACHIEVE INTEREST COST AND OTHER SAVINGS**

As provided for in NRO 5-28, David G. Fredette, City Treasurer, gave a brief explanation on Resolution R-16-028.

Mr. Fredette

We are going to refund 2006 bonds that were actually advance refunding bonds and the first time you can do that is 90 days prior to the tenth year anniversary of those bonds and that would be this July. We are currently; it appears that the rates are going to be 1.5% to 2.0 % versus about 4.0% or 4.5% so we anticipate saving approximately about \$1.5 million over a six year period.

TESTIMONY IN FAVOR – There was none.

TESTIMONY IN OPPOSITION – There was none.

TESTIMONY IN FAVOR – There was none.

TESTIMONY IN OPPOSITION – There was none.

The public hearing was declared closed at 7:03 p.m.

Alderman Sean M. McGuinness
Committee Clerk

BUDGET REVIEW COMMITTEE

April 25, 2016

A meeting of the Budget Review Committee was held Monday, April 25, 2016, at 7:04 p.m. in the Aldermanic Chamber.

Alderman Richard A. Dowd, Chair, presided

Members of Committee present: Alderman-at-Large Lori Wilshire, Vice Chair
Alderman-at-Large Brian S. McCarthy
Alderman-at-Large Michael B. O'Brien
Alderman Sean M. McGuinness
Alderman David Schoneman
Alderman Ken Siegel

Also in Attendance: Mr. Steven A. Bolton, Corporation Counsel
Alderswoman Maryann Melizzi-Golja
Alderman Don LeBrun
Mr. Steven Galipeau, Chief, Nashua Fire Rescue
Mr. Brian Rhodes, Deputy Fire Chief, Nashua Fire Rescue
Mr. David G. Fredette, City Treasurer

PUBLIC COMMENT - None

COMMUNICATIONS - None

UNFINISHED BUSINESS – None

NEW BUSINESS – RESOLUTIONS

R-16-026

Endorsers: Alderswoman Mary Ann Melizzi-Golja
Alderman-at-Large Lori Wilshire
Alderman Benjamin M. Clemons
Alderman Richard A. Dowd
Alderman-at-Large Daniel T. Moriarty

APPROVING THE COST ITEMS OF A COLLECTIVE BARGAINING AGREEMENT BETWEEN THE MAYOR AND THE BOARD OF FIRE COMMISSIONERS AND LOCAL #789, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS FROM JULY 1, 2015 THROUGH JUNE 30, 2019 AND RELATED TRANSFER FROM CONTINGENCY

Alderman O'Brien

Mr. Chairman, at this time I would recuse myself on voting on this as it has been brought to my attention that there may be a possibility of a conflict of interest and I would like to further investigate that but at this particular time I will do it safely and ask to be excused.

Alderman Siegel

I appreciate my colleague, Alderman O'Brien's concern but I fail to see what the conflict of interest would be, he is a retired firefighter and there is nothing here that I believe would affect anything.

Alderman McCarthy

His son is a member of the bargaining unit.

Alderman Siegel

Okay, there you go; thank you.

MOTION BY ALDERMAN WILSHIRE TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Chairman Dowd

The motion before us is for the collective bargaining agreement; it's a four year contract. Chief Galipeau would you like to give us an overview on the contract?

Mr. Steven Galipeau, Chief, Nashua Fire Rescue

Certainly, it's a pretty simple deal. We were looking for some concessions to help us run more efficiently and the firefighters were looking for a fair wage increase. We came up with a four year deal after many months of negotiations. We went to mediation and we came up with looking at some of the other agreements that have been passed in the city over the last year. We came up with what we felt was a very fair agreement.

Chairman Dowd

Did you want to add anything Deputy?

Mr. Brian Rhodes, Deputy Fire Chief, Nashua Fire Rescue

No, I think the Chief said it very nicely.

Alderman Siegel

There were several items that were cost of living in the contract, how did you ascertain the cost of living adjustments? Were they guesstimates based on economic indicators or just a negotiated cost of living adjustments?

Chief Galipeau

A little bit of both.

Alderman Siegel

Okay. So, this is the personnel cost in the increase, what is the net effect on the budget for the fire department over the next several years given that personnel is obviously a major contributor? Where do you see the budget going?

Chief Galipeau

Obviously it's going to be tight but I don't think it is solely because of the cost items in this agreement, I think it's also an effect of 23 years of us slowly cutting back year after year. We looked at it and we also

looked at some cost savings that we are going to gain over the next three years with expected retirements and any time the old go out and we bring in new people at a lower pay rate; those that end up getting promoted get promoted at a lower pay grade so I think at the end, again, although potentially it could be a little tight from time to time I think it's something that we can manage.

Alderman Siegel

So by tight from time to time you obviously were constrained by our cap numbers. Where do you see us falling year over year? Right now our number is around 1.4% and going forward it will probably be tighter also.

Chief Galipeau

I think again with our best math and looking at the future I think we are probably going to hover somewhere around the 1.5% range.

Alderman Schoneman

If the cap is 1.3% or 1.4% and we are going to hover somewhere around 1.5% then that's not contained so that means that there would have to be either excess funds going towards the fire department or some kind of reduction. If the reduction is the case, where would you make that reduction?

Chief Galipeau

I think what we would probably look at doing would be some sort of a rolling brown out situation where you would place a company out of service for a period of 30 days to achieve some savings – if we had to go that far.

Alderman Schoneman

Every time the word fairness comes up I feel it's important to speak for a moment on what fairness is. Fairness is between the parties to a contract and the parties to a contract in this case are the taxpayers and the fire department and I think that most of the folks around Nashua have not seen pay increases like this, mostly. The economy is certainly suffering. The reason that we have a cap is to index the growth of spending and I think it is wise to keep salaries in line with that number. That would be fair because the folks at home would be seeing the same kinds of increases that they are granting. While we have city employees who provide great services to the city in all departments, if our increase to public employees exceeds the increases that folks at home are likely getting then that can't be called fair so we just need to keep the fairness idea in mind. Fairness isn't between one contract and another; that's parity. We can talk about parity if we want parity but let's say parity but fairness would be between taxpayers and the recipient.

Alderman Siegel

I just want to look a little bit at the retirement costs. I know in FY '16 there is a large jump which then goes down in FY '17. I'm trying to get a handle on what that is. I understand that it is somewhat of a guess going forward but is it based on estimates where the state numbers are going to be in the future or do you expect a spike in retirements this coming year, where are we getting that large increase of 7.1%?

Chief Galipeau

When we went through this process; we have some known retirements coming up and we've had that discussion with the CFO, the actual retirement number that's in the sheet you are referring to was supplied to us by the CFO's office.

Alderman Siegel

Okay, so John is not here.

Alderman McCarthy

In that regard doesn't the state adjust the retirement costs only every other year?

Chief Galipeau

Correct.

Alderman McCarthy

So you will notice that there is a big spike and then a little spike and then a big spike...

Alderman Siegel

It is FY '17 that I believe our adjustment is going to come and that's the little one and the big spike, that's why it's kind of like a little flip flop there where the spikes are going to be. It typically would come in the adjustment years. It's also dependent upon how our investment performance is doing at the state level so that number is everybody's wild guess unfortunately. That was part of my curiosity was seeing that it was spiking in what seemed like the off years. That was one of the things that motivated my question.

Mr. Brian Rhodes, Deputy Fire Chief, Nashua Fire Rescue

I wanted to touch on Alderman Schoneman's comment about parity and fairness. The labor group is not looking for parity because this is nowhere near what the other public safety agency in the city got. This group consistently has been more than fair to the taxpayers as far as giving raises back in the late 80's and as most recently as being the first group when the previous administration was requesting employees to pay more for healthcare, this was the first group to step up. I think they have consistently done the right thing for the citizens. I understand what you are saying too but I just wanted to make it publicly known that this is not a parity issue. They totally understand that we do two separate jobs, they do their jobs well and our people do their jobs well.

Alderman Schoneman

I certainly appreciate that. I am not speaking disparagingly about anyone and I think that the fact that they have awareness is good. All employees should have awareness but the numbers the bottom even with all of that I think are just too large to be fair to the taxpayers who don't see those kinds of numbers themselves. Thank you for your comments.

Chairman Dowd

I'll ask a question that normally comes up. For the upcoming budget year of '17, have you factored in the numbers of this contract into your budget that you have presented?

Chief Galipeau

Yes, I have.

Alderman Schoneman

My understanding is that your budget is 1.3% larger than last years, is that correct?

Chief Galipeau

No, we are just about that.

Alderman Schoneman

What are you at?

Chief Galipeau

We are at 1.7% I believe.

Alderman Schoneman

We heard from other departments and what the Mayor's request was that the police department was at 2.5% and the schools were going to 2.0% and all other departments were going to be 1.3%. That makes it more difficult because the money is just not there in the city budget.

Alderman Siegel

Regarding the other public safety bargaining unit, I am actually empathetic with your position. We sort of had no choice in that sense because that was a "me too" contract and I would have been happy to have voted against it but it seemed fruitless. I'm not sure that this is the same type of deal in the sense that we don't have that kind of fiscal gun to our head. I just wanted to clarify that. There were probably several colleagues that felt similarly. I apologize if it comes off as a fairness issue in a sense; different contracts.

I would like to request a roll call vote.

A Viva Voce Roll Call vote was taken which resulted as follows:

Yea: Alderman Wilshire, Alderman McCarthy, Alderman Dowd 3

Nay: Alderman Schoneman, Alderman McGuinness, Alderman Siegel 3

MOTION FAILED

MOTION BY ALDERMAN SIEGEL TO SEND THE LEGISLATION TO THE FULL BOARD WITH NO RECOMMENDATION

MOTION CARRIED

R-16-028

Endorsers: Mayor Jim Donchess
Alderman-at-Large Lori Wilshire
Alderman-at-Large Mark S. Cookson
Alderman Richard A. Dowd
Alderman June M. Caron
Alderman Ken Siegel
Alderwoman Mary Ann Melizzi-Golja
Alderman-at-Large Brian S. McCarthy

AUTHORIZING THE MAYOR AND THE CITY TREASURER TO ISSUE BONDS NOT TO EXCEED THE AMOUNT OF THIRTY MILLION DOLLARS (\$30,000,000) TO REFUND ALL OR A PORTION OF CERTAIN OUTSTANDING BONDS OF THE CITY IN ORDER TO ACHIEVE INTEREST COST AND OTHER SAVINGS

MOTION BY ALDERMAN WILSHIRE TO RECOMMEND FINAL PASSAGE

ON THE QUESTION

Alderman Schoneman

My understanding is that this is going to be to refinance, there are no new expenditures out of this. May I ask what the criterion is for choosing bonds to refinance?

Mr. David G. Fredette, City Treasurer

Prior to your other subject, the pension rates change in '18, not '17. It's even years. These are current refunding bonds of an advanced refunding bond that was done in 2006. The earliest that it can be done is 90 days prior to the tenth anniversary and that would be July 15, 2016. We plan to sell these at the end of May or very early June. You have to have a certain amount of savings and it's all based on IRS rules and this fits that. As I said earlier, we are estimating at least \$1.5 million savings over six years.

Alderman Schoneman

So the savings is a result of a lower rate and it's a savings in interest cost.

Mr. Fredette

Yes.

Alderman Schoneman

Okay because sometimes if something is due in short term and you refinance for a much longer term even though the rate is lower you end up paying more in interest but this is a net reduction in interest costs?

Mr. Fredette

We can only refinance the amount of time left on the bonds, there are only six years left on these bonds. You can't refinance it for longer than that. You are not allowed to do that.

Alderman Siegel

There is a motion for final passage on the floor but Treasurer Fredette has given us a fiscal note and I'd like to amend the legislation to include the fiscal note.

**MOTION BY ALDERMAN SIEGEL TO AMEND BY INCLUDING A COPY OF THE FISCAL NOTE PROVIDED BY TREASURER FREDETTE
MOTION CARRIED**

ON THE QUESTION

Chairman Dowd

It's basically a statement that talks to the savings.

**MOTION BY ALDERMAN SIEGEL TO RECOMMEND FINAL PASSAGE AS AMENDED
MOTION CARRIED**

Chairman Dowd

For everyone's edification, that is on the agenda for tomorrow night's meeting, as is the firemen's contract because of the time limits involved.

Alderman McCarthy

I want to point out that I had Trish put the firemen's contract on the agenda for tomorrow just to be safe. We don't need to take action on it tomorrow night so it might be best if it were just held until the meeting when the minutes are prepared.

Chairman Dowd

That's fine but who makes that decision?

Alderman McCarthy

The full Board. It is on the agenda but there is no time pressure to take action on it tomorrow night.

NEW BUSINESS – ORDINANCES – None

GENERAL DISCUSSION - None

PUBLIC COMMENT - None

REMARKS BY THE ALDERMEN - None

POSSIBLE NON-PUBLIC SESSION

ADJOURNMENT

**MOTION BY ALDERMAN SIEGEL TO ADJOURN
MOTION CARRIED**

The meeting was declared closed at 7:26 p.m.

Alderman Sean M. McGuinness
Committee Clerk